

## Schedule A: Revenue Requirement

This schedule sets out the service provider's revenue requirement determined by the access arrangement. The parameters that underpin the revenue requirement are also provided.

### 1.1.1 Initial Capital Base

The initial capital base value at 1 January 2001 is set at \$369.9 million.

### 1.1.2 Depreciation of Capital

Net changes to the value of the asset base from year to year over the access arrangement period are shown in Table 1.

**Table 1: Capital base roll-forward (\$million)**

<i>As at 1 January</i>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>
Opening Asset Value	369.9	367.8	366.4	365.0	362.5
Nominal Depreciation <sup>(a)</sup>	3.2	3.6	2.8	3.2	3.5
Normalisation factor (extra depreciation)	1.5	1.6	1.7	1.9	2.1
Capital expenditure	2.6	3.8	3.2	2.6	2.6
Asset value carried forward	367.8	366.4	365.0	362.5	359.6
Return on capital @ 9.10 per cent <sup>(b)</sup>	33.7	33.5	33.4	33.2	33.0

Notes:

- (a) Nominal book depreciation combines the nominal straight-line depreciation charge and the inflation adjustment to the capital base in each year.
- (b) Nominal vanilla WACC as calculated.

### 1.1.3 Rate of Return

The WACC parameters are set out in Table 2.

**Table 2: WACC parameters**

CAPM parameter	Value
Real risk-free rate ( $rr_f$ ) (per cent)	3.32
Expected inflation rate (f) (per cent)	2.21
Nominal risk-free rate ( $r_f$ ) (per cent)	5.61
Cost of debt margin (DM) (per cent)	1.20
Cost of debt ( $r_d$ ) (per cent)	6.81
Real cost of debt ( $rr_d$ ) (per cent)	4.50
Market risk premium ( $r_m - r_f$ ) (per cent)	6.0
Debt funding (D/V) (per cent)	60
Usage of imputation credits ( $\gamma$ ) (per cent)	50
Corporate tax rate (T) (per cent) <sup>(a)</sup>	30
Asset beta ( $\beta_a$ )	0.50
Debt beta ( $\beta_d$ )	0.06
Equity beta ( $\beta_e$ ) <sup>(b)</sup>	1.16

Note:

(a) The corporate tax rate of 30 per cent is an input to the Commission's cash-flow analysis. The analysis indicates that the effective tax rate is 11.1 per cent.

(b) The Commission uses the Monkhouse formula as follows:

$$\beta_e = \beta_a + (\beta_a - \beta_d)(1 - r_d / (1 + r_d) T e) \cdot D/E.$$

This formula assumes an active debt policy aimed at maintaining a specific gearing ratio.

Table 3 shows the WACC figures derived from the parameters.

**Table 3: WACC estimates based on parameters in Table 2.**

Nominal cost of equity $r_e = r_f + \beta_e (r_m - r_f)$	12.55
Nominal pre-tax cost of debt ( $r_d$ )	6.81
Nominal vanilla WACC $W_n = r_e \cdot E/V + r_d \cdot D/V$	9.10
Post-tax nominal WACC $W = r_e [(1 - T_e)/(1 - T_e(1 - \gamma))] \cdot E/V + r_d (1 - T) \cdot D/V$	7.58
Post-tax real WACC $W_r = (1 + W)/(1 + f) - 1$	5.26
Pre-tax nominal WACC $W_t = r_e / (1 - T_e(1 - \gamma)) \cdot E/V + r_d \cdot D/V$	9.40
Pre-tax real WACC ( $W_{tr}$ )	7.13 <sup>(a)</sup>
Pre-tax nominal WACC ( $W_{trci}$ ) $W_{trci} = (1 + W_{tr}) \cdot (1 + f) - 1$	9.50 <sup>(a)</sup>
Implied tax wedge $= W_{trci} - W_n$	0.39

(a) Based on cash-flow analysis.

### 1.1.4 Non-Capital Costs

Epic's forecasted operating costs for the period 1999-2003 are provided in Table 4. For cash-flow modelling purposes, figures for 2004 and 2005 have been established by CPI indexation of 2003 figures.

**Table 4: Total operating costs, 1999-2003**

<b>Year ending 31 December (\$ '000)</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>
Salaries and wages	6386	6642	6908	7183	7471
Other employee costs	607	623	638	654	670
Consultants	695	712	730	748	767
Operations & maintenance	4465	4878	5158	4668	4867
Administration expenses	377	387	396	406	417
Utilities	676	693	711	728	747
Inter-company expenses	2848	2049	1981	1898	1888
Employee incentive scheme	480	499	519	540	562
<i>Less</i>					
Capitalised overhead	378	387	397	407	417
Non-jurisdictional costs	1185	1230	1277	1325	1376
<b>Total operating costs</b>	<b>14,972</b>	<b>14,866</b>	<b>15,368</b>	<b>15,094</b>	<b>15,596</b>

Source: Access arrangement information, p. 18

### 1.1.5 Forecast Revenues

Epic's total cost-of-service revenue requirement for the access arrangement period is set in Table 5.

**Table 5: Forecast revenue 2001 to 2005**

	<b>Forecast revenue (\$m nominal)</b>
<b>Year ending 31 December</b>	<b>COS revenue</b>
Peak Capacity	393 TJ per day
2001	26.85 <sup>(a)</sup>
2002	53.8
2003	53.5
2004	54.2
2005	54.8

Notes:

- (a) Forecast for 2001 refers to the period 1 July 2001 to 31 December 2001 only.

## Schedule B: Tariff Schedule

This schedule is the ‘Tariff Schedule’ referred to in clause 43.1.

### 1. Reference Service - FT Service

<b>Charge/Charge Rate</b>	<b>Amount</b>	<b>Payable</b>
Capacity Charge	MDQ (in GJ/day) x 365 x Capacity Charge Rate	In 12 equal Monthly instalments.
Capacity Charge Rate	\$0.3669 per GJ	N/A.
Whyalla Lateral Surcharge	\$0.1863 per GJ	If applicable, in addition to the Capacity Charge Rate.
FT Commodity Charge Rate	\$0.0767 per GJ	Monthly for each GJ of Gas delivered to User during that Month.
FT Customer Charge	\$100 per Month	Monthly.
Excess Imbalance Charge Rate	\$0.30 per GJ	See clauses 12.3(b) and 19.3.
Zone Variation Charge Rate	\$0.30 per GJ	See clause 19.7.
Default Charge Rate	\$7.50 per GJ	See clauses 24.4 and 25.5.

### 2. Rebatable Service - IT Service

<b>Charge/Charge Rate</b>	<b>Amount</b>	<b>Payable</b>
IT Commodity Charge Rate	\$0.5102 per GJ	Monthly for each GJ of Gas delivered to User during that Month.
IT Customer Charge	\$50 per Month	Monthly.
Excess Imbalance Charge Rate	\$0.30 per GJ	See clauses 12.3(b) and 19.3.
Default Charge Rate	\$7.50 per GJ	See clauses 24.4 and 25.5

### 3. Other Charges

<b>Charge</b>	<b>Amount</b>	<b>Payable</b>
Application Fee – FT Service	\$5,000	On application for FT Service.
Application Fee – IT Service	\$5,000	On application for IT Service.
Application Fee – Non-Specified Service	\$5,000	On application for a Non-Specified Service
EBB User Charge	\$25	See clause 27.2(b)(ii).
EBB Public Data Charge	\$0.10 per A4 page	See clause 27.4(c)(i).
EBB Proprietary Data Charge	\$0.10 per A4 page	See clause 27.4(c)(ii).